ANNUAL REPORT

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ANNUAL REPORT

2005/2006

PENSION CORPORATION
BRITISH COLUMBIA

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Pension Corporation employees appear in all photographs in this report.

Our Vision

Your Pension Experience

...we make it easy!

Service You Trust

Great Value

People Who Care

PENSION CORPORATION

Our Mission

The British Columbia Pension Corporation is a non-profit agent of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees and the Workers' Compensation Board of British Columbia, providing professional pension administration services to the boards and their members.

Our Corporate Values

- We are friendly, caring and treat everyone with respect
- We are positive and passionate about serving our clients
- We earn trust by acting with openness, personal accountability and integrity
- We work as a team

"I appreciate the people I work with. They share knowledge, allow creativity, accept differences, are flexible, and are concerned about each other."

Pension Corporation Employee

Our Operating Principles

- Maximize value for money
- Listen to our clients
- Maintain confidentiality
- Promote simplicity
- Look to the future
- Leverage best practices
- Keep our promises

Our People Principles – Create a Great Place to Work

- Provide clarity of direction and roles
- Attract, develop and retain highly capable people
- Embrace change, creativity and learning
- Ensure diversity of people and thought
- Foster safety and health in everything that we do
- Build a high-performance service culture through human resource development

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MESSAGES

A MESSAGE
FROM THE BOARD CHAIR

On behalf of the Pension Corporation's Board of Directors, it's a pleasure to report to you the progress that the Pension Corporation has made over the past year. The Board of Directors represents the College, Municipal, Public Service and Teachers' Pension Plans.

This year, the Board of Directors continued its role in overseeing the corporation's strategic direction by monitoring the ongoing performance of the corporation, the chief executive officer, financial statements, and enhancements to the quality assurance program.

As well, the board acknowledges the corporation's accomplishments in reducing costs; enhancing web-based information; simplifying the retirement process; meeting the challenges associated with the large volume of purchase of service requests from pension plan members; and achieving high satisfaction ratings with trustees, pension plan members and employers.

Employees of the corporation have worked hard to make this a year for celebrating remarkable success. It was a pleasure to personally thank and congratulate staff on their outstanding achievements over the past year.

The board firmly believes the corporation will not be able to deliver its full potential, or sustain its recent achievement in service to members, plan boards and employers until greater control over its human resource functions is passed from government to the corporation itself. Progress was made in building awareness of the board's position in the past year and the board will continue to pursue this goal in the future.

The board thanks CEO Gail Stephens, her executive team and staff for their dedication, enthusiasm and contributions. The pension plan members, employers and partners have all benefited from their hard work.

I also want to thank outgoing board members Cliff Neufeld for his contributions over the past 18 months and John Wilson for his service with the board since its inception in 2000. As well, I want to welcome Danny Bradford as our newest member and Bruce Kennedy as a returning member to the board.

It has been a great pleasure to have served as the Board Chair for this past year.

Richard Taylor
Chair, Board of Directors, March 31, 2006

BOARD MEMBERS
as at March 31, 2006

Danny Bradford
College Pension
Board of Trustees
Representative

Bruce Kennedy
College Pension
Board of Trustees
Representative

Gary Johnson
Municipal Pension
Board of Trustees
Representative

Richard Taylor
– Chair of the
Board of Directors
Municipal Pension
Board of Trustees
Representative

Bruce Clow
Public Service Pension
Board of Trustees
Representative

Diane Wood
– Vice Chair of the
Board of Directors
Public Service
Pension Board
of Trustees
Representative

Wayne Jefferson
Teachers' Pension
Board of Trustees
Representative

Dale Lauber
Teachers' Pension
Board of Trustees
Representative

A MESSAGE
FROM THE CEO

I AM PLEASED TO PRESENT THE PENSION CORPORATION'S ANNUAL REPORT FOR THE YEAR ENDING March 31, 2006. It has been a year of innovation, teamwork, continuous improvement and accomplishment. I believe that we have met and even exceeded expectations.

Highlights of the year include:

- met, or exceeded, almost all on-time service standards despite significantly higher than expected demand,
- achieved targeted budget reduction of $1 million,
- exceeded all client satisfaction targets,
- completed many critical projects including new web self-service capabilities for clients,
- simplified, streamlined and standardized critical processes, procedures and communication products to make the pension experience easier for members, employers and employees, and
- demonstrated, through benchmarking results, that the Pension Corporation's administration costs are competitive with our Canadian and international peers.

I would like to recognize the contributions made by the employees, management and executives of the Pension Corporation. Nothing would have been possible without their hard work, creativity, enthusiasm and commitment to exceptional client service.

I would also like to thank the Board of Directors for the opportunity to work with you as your Chief Executive Officer. It is my pleasure to serve you. With your direction and encouragement, we will continue our journey of innovation, continuous improvement and teamwork.

Sincerely,

Gail Stephens

Gail Stephens
Chief Executive Officer
March 31, 2006

EXECUTIVE MANAGEMENT TEAM

Gail Stephens
Chief Executive Officer

Sher Anderson
Chief of Human Resources

Karen Harper
Chief Knowledge Officer

Sandra Lenz
Chief Financial Officer

Louise Young
Chief Operating Officer

CORPORATE PROFILE

ABOUT THE
PENSION CORPORATION

Established on April 1, 2000 under the *Public Sector Pension Plans Act*, the British Columbia Pension Corporation is one of Canada's largest pension benefit administrators, employing about 400 employees serving more than 340,000 active and retired pension plan members and close to 700 employers.

The Pension Corporation serves as the benefit administration agent for the boards of trustees for the four major public sector pension plans—College, Municipal, Public Service and Teachers'. Additionally, the Pension Corporation administers the pension plan for the Workers' Compensation Board.

Our services are to enrol members, collect contributions, process benefits and issue pension payments.

Our organization is governed by an eight-member Board of Directors. Two trustees from each of the four major public sector pension plans are appointed to the Board of Directors—one plan member and one employer member—for a three-year term.

To learn more about the Pension Corporation, please visit our website at pensionsbc.ca and select Pension Corporation in the menu bar on the right side.

"I was very impressed...not only with the thoroughness of your reply—complete with detailed options of both a reduced and an unreduced pension, and brochures and information and forms covering all aspects of retirement—but also with the speed in which you replied."

Pension plan member

OUR CLIENTS

OUR CLIENTS ARE THE ACTIVE, INACTIVE AND RETIRED MEMBERS AND EMPLOYERS OF THE pension plan boards of trustees that we serve. Pension plan members live, work and are employed across the province. Our clients include:

The College Pension Plan—Active members of the College Pension Plan are senior administrative employees and faculty members of British Columbia colleges.

The Municipal Pension Plan—Active members of the Municipal Pension Plan are eligible employees of a municipality, school district, college, health service organizations, as well as police, fire fighters and many other eligible employees as designated by the board.

The Public Service Pension Plan—Active members are eligible employees of the Province of British Columbia and certain Crown corporations, agencies, institutions and other employers approved by the board.

The Teachers' Pension Plan—Active membership of the Teachers' Pension Plan include certified teachers, principals, vice-principals, superintendents, assistant superintendents, associated professionals and certified professionals who are appointed by a board of school trustees in the British Columbia public school system.

The Workers' Compensation Board Superannuation Plan—Active members include eligible employees of the Workers' Compensation Board.

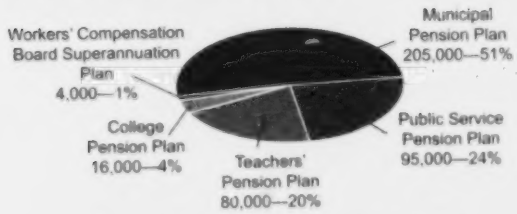
Active Members – are individuals who are currently contributing, or who are receiving benefits from an approved salary continuance plan, or on a leave of absence.

Inactive Members – are individuals who have terminated employment but whose contributions remain on deposit in the plan.

Retired Members – are individuals who are receiving a pension.

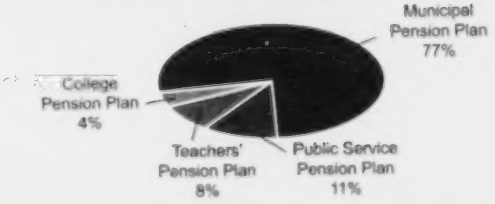
HIGHLIGHTS

Pension Plan Membership


Workers' Compensation Board Superannuation Plan 4,000—1%
Municipal Pension Plan 205,000—51%
College Pension Plan 16,000—4%
Public Service Pension Plan 95,000—24%
Teachers' Pension Plan 80,000—20%

Total membership = 400,000 active, inactive and retired members

Pension Plan Employers



There are about 700 employers in the multi-employer plans that we serve. We also serve the Workers' Compensation Board as a single employer pension plan.

OUR SERVICES

The Pension Corporation has knowledgeable employees providing high-quality, cost-effective pension benefit and information services to trustees, retirees, active members and employers. On behalf of the boards of trustees, the corporation provides services that include:

Satisfaction ratings for the Pension Corporation's services:

- ***100% trustees***
- ***95 % recent retirees***
- ***90 % longer-term retirees***
- ***83% active members***
- ***95 % employers***

- enrolling plan members and employers,
- communicating benefit entitlements and plan requirements,
- delivering pre-retirement and self-help information programs,
- collecting member data for benefit entitlements,
- collecting contribution funding,
- calculating pension benefits, including purchases of service and transfers from other pension plans,
- managing group benefit contracts and programs available to retired members,
- providing policy analysis and communications design services,
- preparing plan financial and regulatory reporting, and
- providing secretariat support to trustees.

"I'd like to take a moment to thank you and your staff for creating such a seamless operation. I was dreading the process of applying for my pension, yet your staff made the process not only easy, but pleasant as well. This is a rare thing in dealing with a corporation in the world today. A rare and wonderful event to celebrate."

Pension plan member

OUR SPIRIT

Health and Wellness

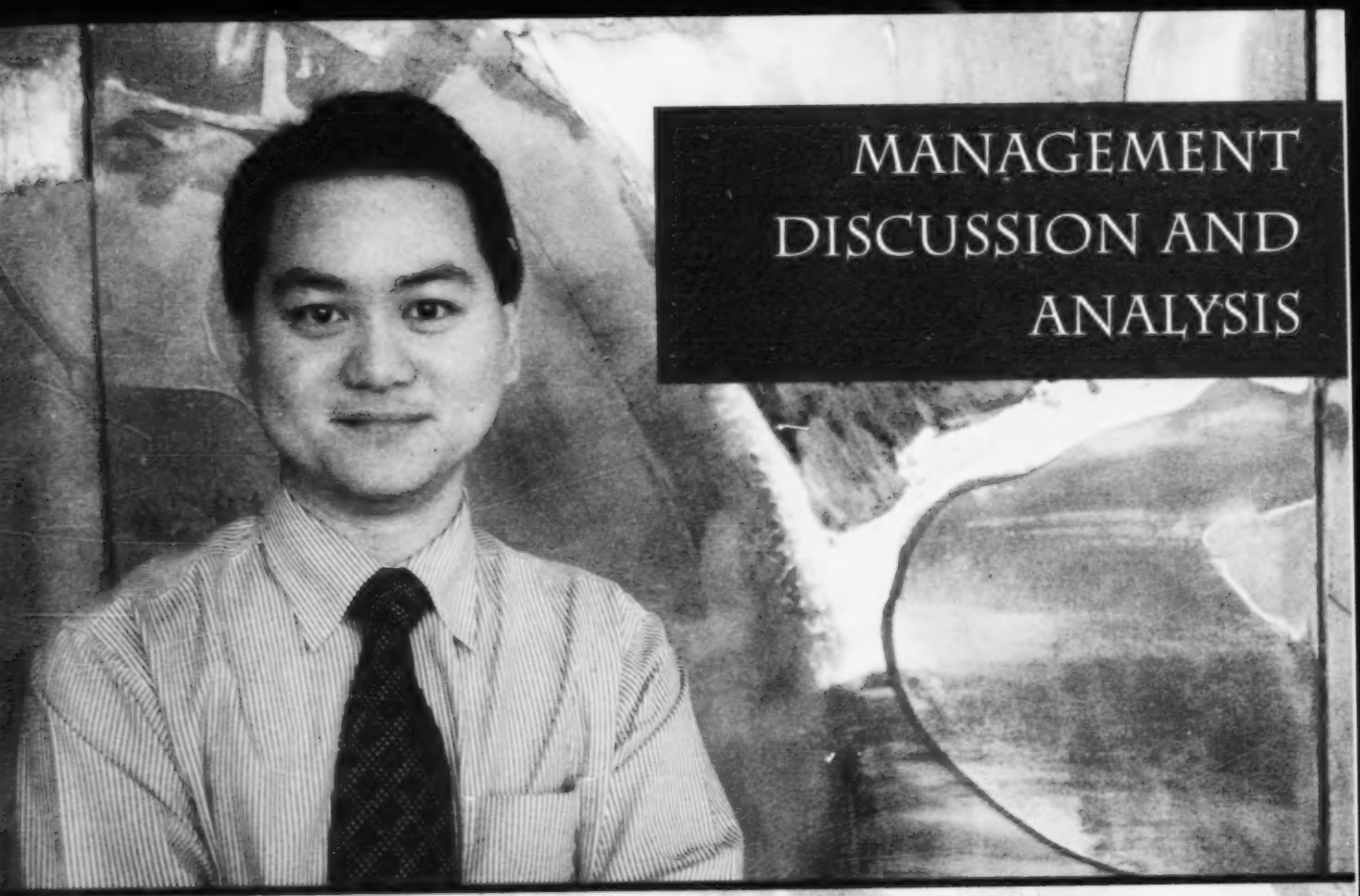
Pension Corporation employees participate in activities which contribute to better health and well-being. Activities sponsored by the corporation's HealthWorks program included:

- Bike to Work Week,
- L.I.F.E. Program which focuses on lifestyle, inner self, fitness and education,
- Green Commute Week, and
- Wellness Educational Noon Hour Workshop Series.

Contributing to Our Community

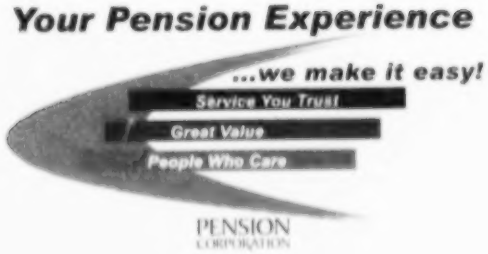
This year we contributed more than $60,000 to a variety of local charities and community organizations which included:

- Provincial Employees Community Services Fund,
- Mustard Seed Food Bank,
- Big Bike Ride for the Heart and Stroke Foundation, and
- Canadian Breast Cancer Foundation, CIBC Run for the Cure.



MANAGEMENT DISCUSSION AND ANALYSIS

2005/06 KEY ACCOMPLISHMENTS



We Make it Easy

- **Continuing Major Service Simplification Projects**—while reducing costs, we streamlined processes for both members and employers, including retirement, purchases and employer report processes.
- **Developing New Service Delivery Methods**—we improved client access to services by:
  - launching new web services for employers, including a new electronic payment service and the ability to view certain member data online, and
  - preparing for the launch of a new web tool called "My Account" which allows plan members to view their member benefit statement and supporting information online.

Service You Trust

- **Meeting Service Standards**—we met, or exceeded, service standards for all plans for most key transactions, despite significantly higher than expected volumes.
- **Providing Exceptional Service Workshops to all Employees**—we held a series of workshops for all employees to explore exceptional service principles.

Great Value

- **Realizing Cost Reduction Targets**—we achieved savings in overall expenses chargeable to the plans of $0.3 million in addition to our targeted $1 million budget reduction included in our 2005/06 budget. As a result, overall cost per member across all plans was $108, lower than the $109 cost per member target.
- **Participating in Benchmarking**—we benchmarked our costs against both international and Canadian peer groups. Results indicate that the corporation's administration costs are competitive with our peers.
- **Enhancing Quality Assurance**—we introduced a quality assurance program at the corporation and developed a work plan that was reviewed and approved by the board's Audit Committee.
- **Continuing Best Practices in Business Planning**—we continued to integrate business planning, budgeting and risk management.

"I just started working for the Pension Corporation and I find it one of the best places I have ever worked at."
Pension corporation employee

People Who Care

- **Achieving High Satisfaction Rating with Employees**—we achieved a 76% satisfaction rating in our third Employee Satisfaction survey. According to Connolly and Connolly, a rating of 75% or better, can be considered an "outstanding strength."[1]
- **Exceeding Client Satisfaction Targets**—we met, or exceeded, satisfaction targets for all trustees, employers, active and retired members.

[1] Connolly and Connolly. 2004. Employee Opinion Questionnaires. John Wiley and Sons.

PRIMARY
BUSINESS DRIVERS

UNDERSTANDING THE ENVIRONMENT IN WHICH OUR CLIENTS OPERATE IS KEY TO our ability to develop innovative products and services to meet their needs.

We conduct environmental scans; proactively monitor demographic, pension industry and governance trends both globally and locally, and activities that influence them. We use this awareness, along with trustee and client surveys, to meet the evolving needs of our clients and promote responsive, high quality service.

Some key trends include:

- the aging population and the increase in annual retirements,
- member requests for frequent, easy access to simplified and timely information is growing,
- public sector restructuring continues to impact demand for our services,
- succession planning and training needs as our experienced workforce retires,
- demand for technology and self-service opportunities, and
- increased demand to purchase past service because of 2007 deadlines for four major plans.

Purchasing service means paying for periods of employment that were not previously counted as service with the pension plan.

Specific Demand Trends

- In 2005/06, overall demand for key service transactions rose to approximately 73,000 requests (for details refer to the graph Key Service Requests and Future Demand Profile). This represents a 13% increase over the previous year. In the three largest pension plans, pension estimates, termination options and purchase quotes all ranged from 12% to 59% higher than expected.

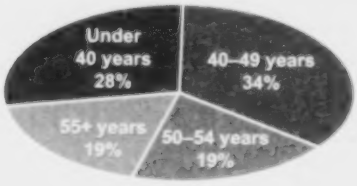
The following graphs illustrate the demographics and service demand details outlined above.

HIGHLIGHTS

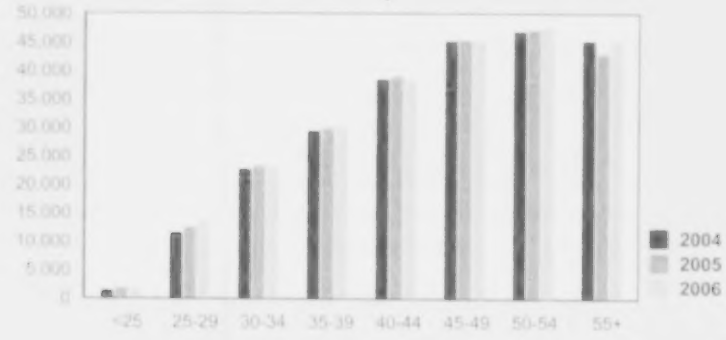
Number of Members

Age Profile of Active Members

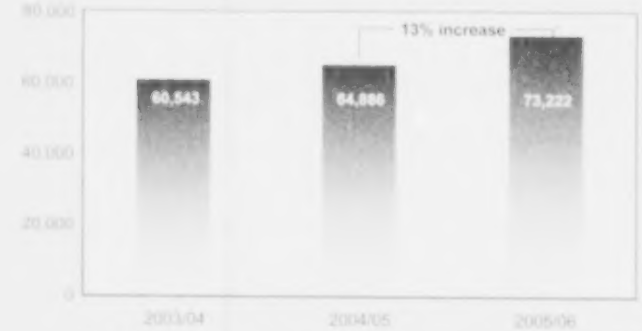
as at March 31, 2006



Increasing Age Profile of Active Members



Completed Key Service Requests*



* Key service requests include pension options, new pensions, terminations, interplan and reciprocal transfers, and purchase of service estimates of all kinds.

PERFORMANCE
OVERVIEW

The Pension Corporation has established six strategic objectives that have corresponding performance indicators.

Objectives	Expected Results	Indicators
1. Be recognized as a client oriented, service focused organization.	High client satisfaction with our services, products and processes	Percentage of active plan members surveyed satisfied or very satisfied Percentage of recently retired plan members surveyed satisfied or very satisfied Percentage of retired plan members surveyed satisfied or very satisfied Percentage of plan employers surveyed satisfied or very satisfied
2. Build and sustain relationships of trust and confidence with trustees	High trustee satisfaction with our services, products and processes	Percentage of trustees surveyed satisfied or very satisfied
3. Deliver high quality service cost effectively	Maximum value for every dollar spent Reduced budget costs to the plans for existing services Improved member service response times More key transactions completed	Cost per member Cost per key transaction Key transaction per client services staff Meet or exceed pension plan service standards
4. Welcome and embrace business improvement and creativity	Processes focused on making it easier for clients Proactive, managed response to change Creative improvement ideas from our people	Percentage of employees satisfied with the opportunity to participate in improvement initiatives Percentage of employees satisfied with the implementation of business improvements within the corporation
5. Be an employer of choice that attracts and retains highly capable and motivated accountable professionals.	Highly satisfied, capable, motivated, productive people Able to recruit and retain the best people	Percentage of employees that feel enabled to do their job as a result of corporate learning and training opportunities Percentage of our people satisfied or very satisfied working with the corporation
6. Be positioned for future business opportunities.	Retain our existing clients We are the pension benefit consultant of choice for trustees Employers are satisfied Greater public awareness of what we do and how well we do it	Long term vision supported by the trustees Percentage of plan employers surveyed satisfied or very satisfied

PERFORMANCE
INDICATORS AND RESULTS

The following performance indicators highlight the most critical aspects of the corporation's performance.

Objective 1 Be recognized as a client-oriented, service-focused organization.

Performance indicators	2005/06 Target	2005/06 Result
Active plan members satisfied or very satisfied	80%	83%
Recently retired plan members satisfied or very satisfied	90%	95%
Retired members satisfied or very satisfied	90%	90%
Plan employers satisfied or very satisfied	90%	95%

Objective 2 Build and sustain relationships of trust and confidence with trustees.

Performance indicators	2005/06 Target	2005/06 Result
Trustees satisfied with overall services	100%	100%

Objective 3 Deliver high-quality service cost effectively.

Performance indicators	2005/06 Target	2005/06 Result
* Cost per member	$109	$108
Cost per key transaction	$620	$494
Key transactions completed per Client Services staff	275	383
Meet or exceed pension plan service standards	See page 22	See page 22

* Cost per member is based on the number of active and retired members.

Objective 4 Welcome and embrace business improvement and creativity.

Performance indicators	2005/06 Target	2005/06 Result
Percentage of employees satisfied with opportunity to participate in improvement initiatives	75%	75%
Percentage of employees satisfied with implementation of business improvements within the corporation	75%	51%

Objective 5 Be an employer of choice that attracts and retains highly capable, motivated, accountable professionals.

Performance indicators	2005/06 Target	2005/06 Result
Percentage of our people who are satisfied or very satisfied with working for the Pension Corporation	75%	76%
Percentage of employees who feel enabled to do their job as a result of corporate learning and training opportunities	80%	63%

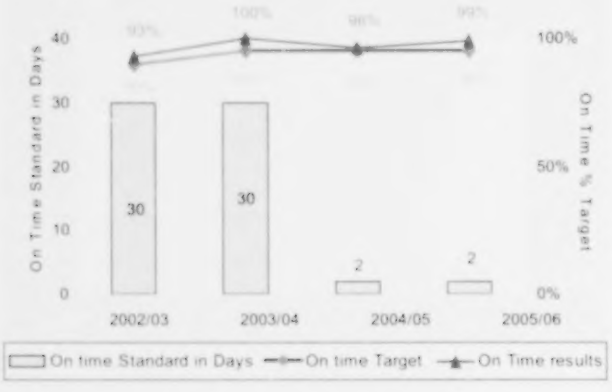
Objective 6 Be positioned for future business opportunities.

Performance indicators	2005/06 Target	2005/06 Result
Long term vision for the corporation is supported by trustees	Yes	Yes
Percentage of employers who are satisfied or very satisfied	90%	95%

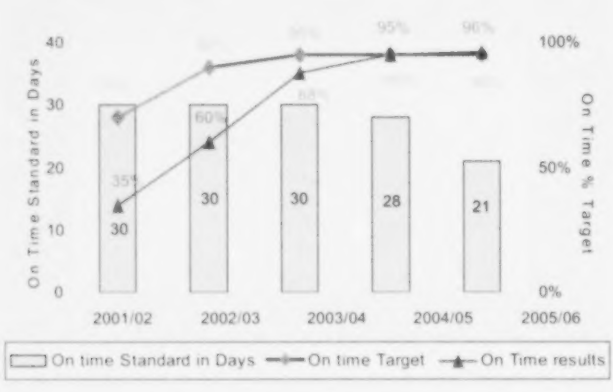
SERVICE
STANDARD HISTORY

THE PENSION BOARDS APPROVE SERVICE STANDARDS FOR EACH PLAN AND MONITOR OUR PERFORMANCE AGAINST THOSE standards. As the following graphs indicate, our service has significantly improved over the past three years, despite substantial increases in service demand as discussed in the business driver section on pages 17. For example, in the Municipal Pension Plan alone, we received an equivalent to one year's purchase demand within six months. While we did not fully meet our on-time target in this particular plan, we met our service targets in all other plans.

Termination Information Letters

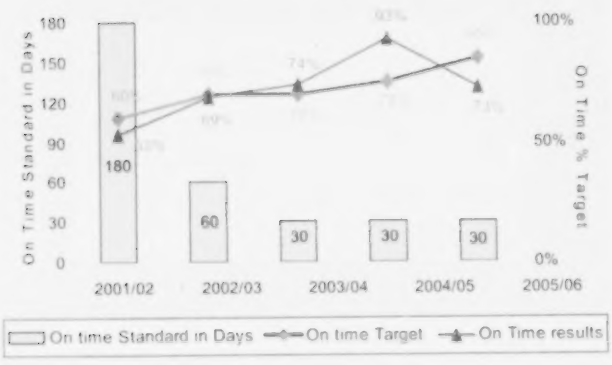


Termination Options

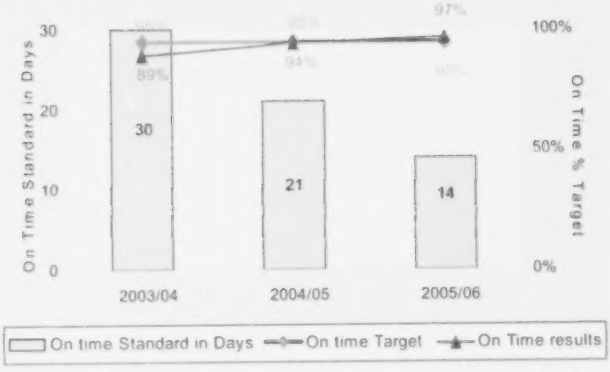


Pension Estimate

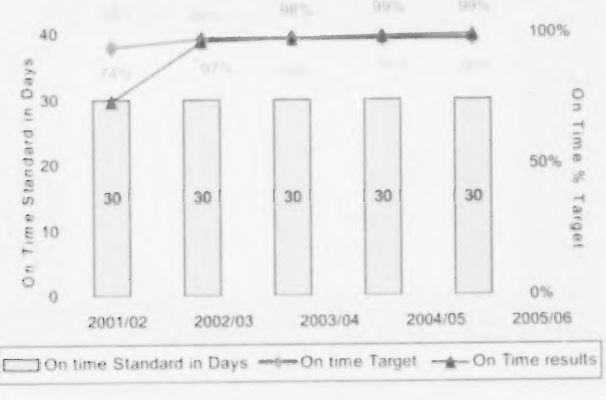
Purchase Quotes



Written Inquiries



First Pension Payments



This history represents corporate average targets and standards for the majority of pension plans; individual pension plan standards may differ slightly from this.
Note: Each service type includes only those years where a standard and a target exist.

FINANCES

The Pension Corporation's costs are highly competitive when benchmarked against our national and international peers.

Cost Effectiveness

We achieved savings in overall expenses chargeable to the plans of $0.3 million in addition to a targeted $1 million budget reduction included in our 2005/06 budget. As a result, overall cost per member across all plans was $108, lower than the $109 cost per member target. Cost per member is based on active and retired pension plan members.

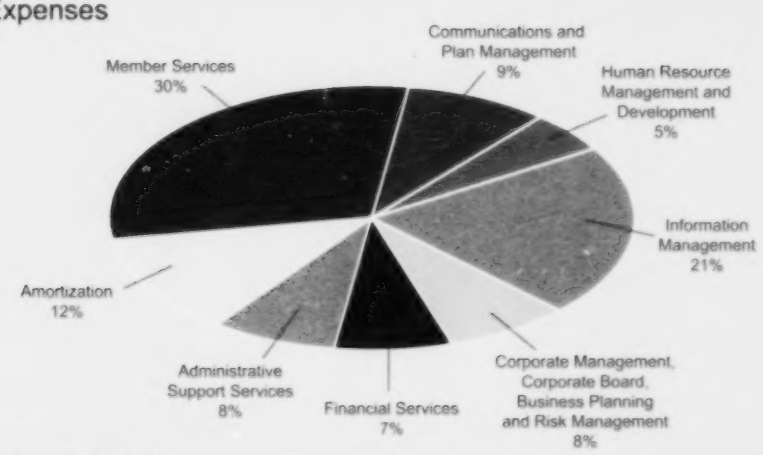
Funding and Operating Expenses

The corporation operates on a cost-recovery basis, with recovery of costs from the pension plans that it serves. As part of the corporation's service delivery planning and budget development process, each pension board of trustees approves its share of relevant costs. The pension funds pay for operating expenses and the corporation's capital asset expenditures.

The corporation had $39.5 million in operating expenses in 2005/06 .

HIGHLIGHTS

Operating Expenses

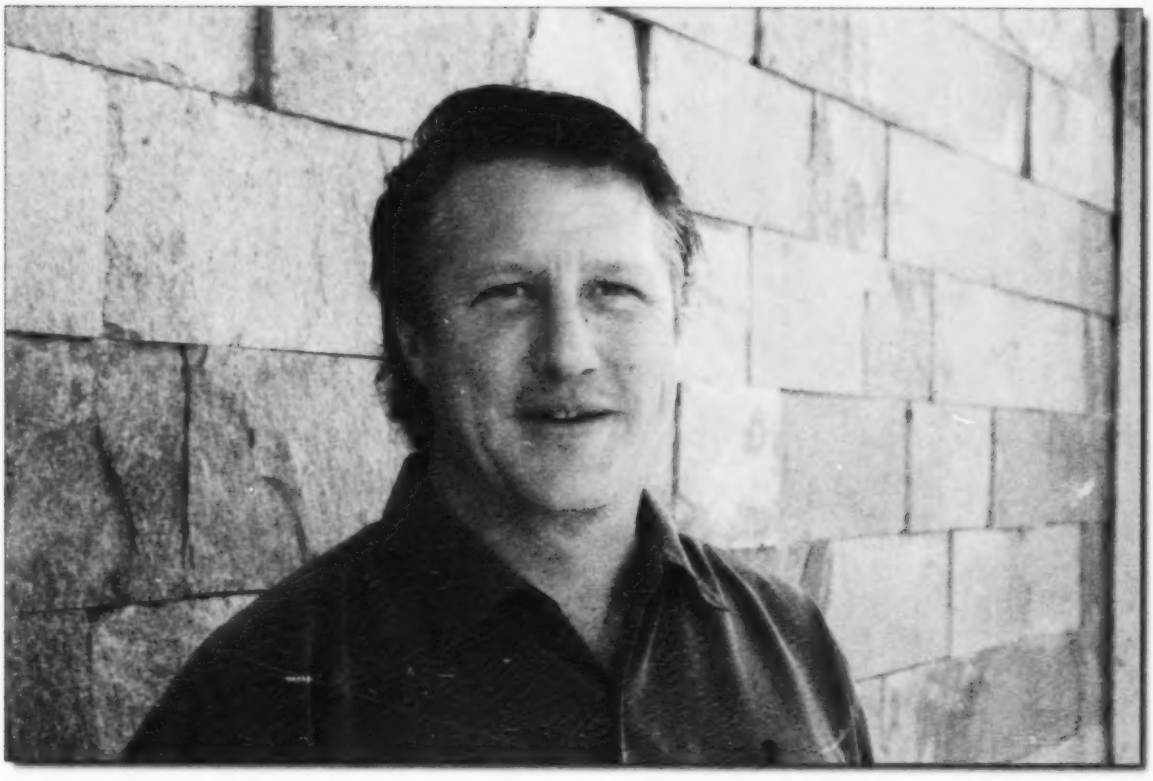

Communications and Plan Management 9%
Member Services 30%
Human Resource Management and Development 5%
Information Management 21%
Amortization 12%
Administrative Support Services 8%
Financial Services 7%
Corporate Management, Corporate Board, Business Planning and Risk Management 8%

Please see statement of Revenue and Expenses

CORPORATE GOVERNANCE

LEGISLATIVE
REQUIREMENTS

The British Columbia Pension Corporation was created in 2000 as a non-profit agency established under the provisions of the *Public Sector Pension Plans Act*. The act requires that the four pension plans governed by the act—College, Municipal, Public Service and Teachers'—retain the services of the Pension Corporation as their plan administrator. The corporation also provides services to the Workers' Compensation Board and the closed plan for the Members of the Legislative Assembly.



PENSION MANAGEMENT BOARD

The Pension Corporation is governed by a Board of Directors (identified in the legislation as the 'Pension Management Board'). The Board of Directors is tasked with:

- selecting a chair and a vice-chair,
- appointing and evaluating the CEO,
- approving business plans and budgets,
- selecting and appointing an auditor of the Pension Corporation,
- overseeing the operations of the Pension Corporation, and
- acting in the best interests of the Pension Corporation.

The board operates independently from the Pension Corporation's management team. The board adopted a written *Code of Conduct* detailing their roles and responsibilities as directors of the corporation.

The board must have at least eight directors. The four major public sector pension plans that retain the services of the corporation are represented on the board. Two directors are appointed by each pension plan board of trustees, one to be nominated by the plan member partner, and one to be nominated by the employer plan partner. A director is appointed for a term of up to three years.

The board has two committees: the Audit Committee and the Human Resources Committee.

Audit Committee

The mandate of the Audit Committee is to act on behalf of the Board of Directors to ensure effective financial oversight of the corporation. The four committee members must be financially literate and one member must be a financial expert who understands generally accepted accounting principles (GAAP), internal controls, and audit committee functions. The committee meets at least two times a year. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually.

The committee's mandate includes ensuring effective oversight in the following areas:

- the integrity and cost-effectiveness of internal controls, reporting and compliance;
- financial statements conforming with generally accepted accounting principles;
- an independent audit of the financial statements, and the selection, compensation and performance of the auditors;
- an annual report with audited financial statements;

- an effective risk management program relating to the objectives and operations of the corporation, including risks relating to the responsibilities carried out by the corporation as benefit administrative agent for the pension plans;
- an effective quality assurance (internal audit) program; and
- any other matters referred to the committee by the board.

Human Resources Committee

The mandate of the Human Resources Committee is to assist the board in the assessment of strategic proposals that will enhance the human resource potential of the corporation, including

- evaluating policies that impact the corporation as an employer,
- considering the corporation's strategies on succession planning,
- assessing of compensation and rewards strategies,
- establishing a process to review the performance and remuneration of the chief executive officer, and
- developing a board education program.

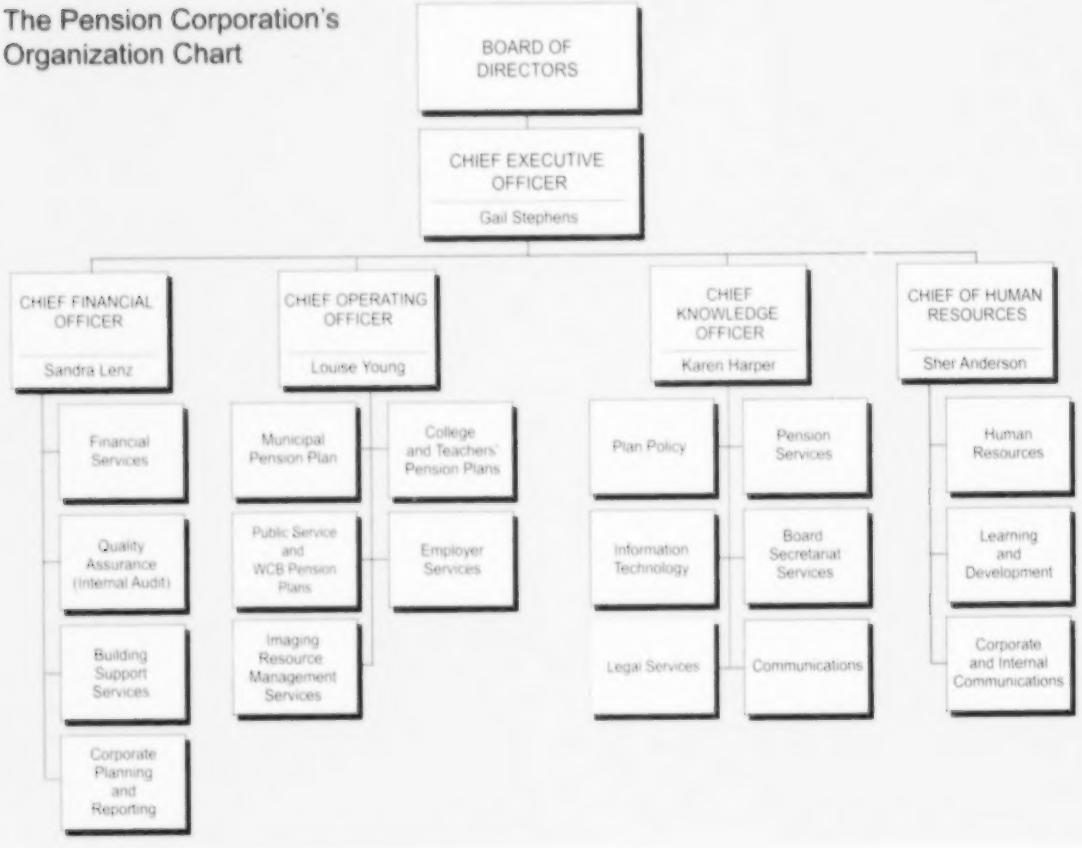
CHIEF EXECUTIVE OFFICER—ROLE AND RESPONSIBILITIES

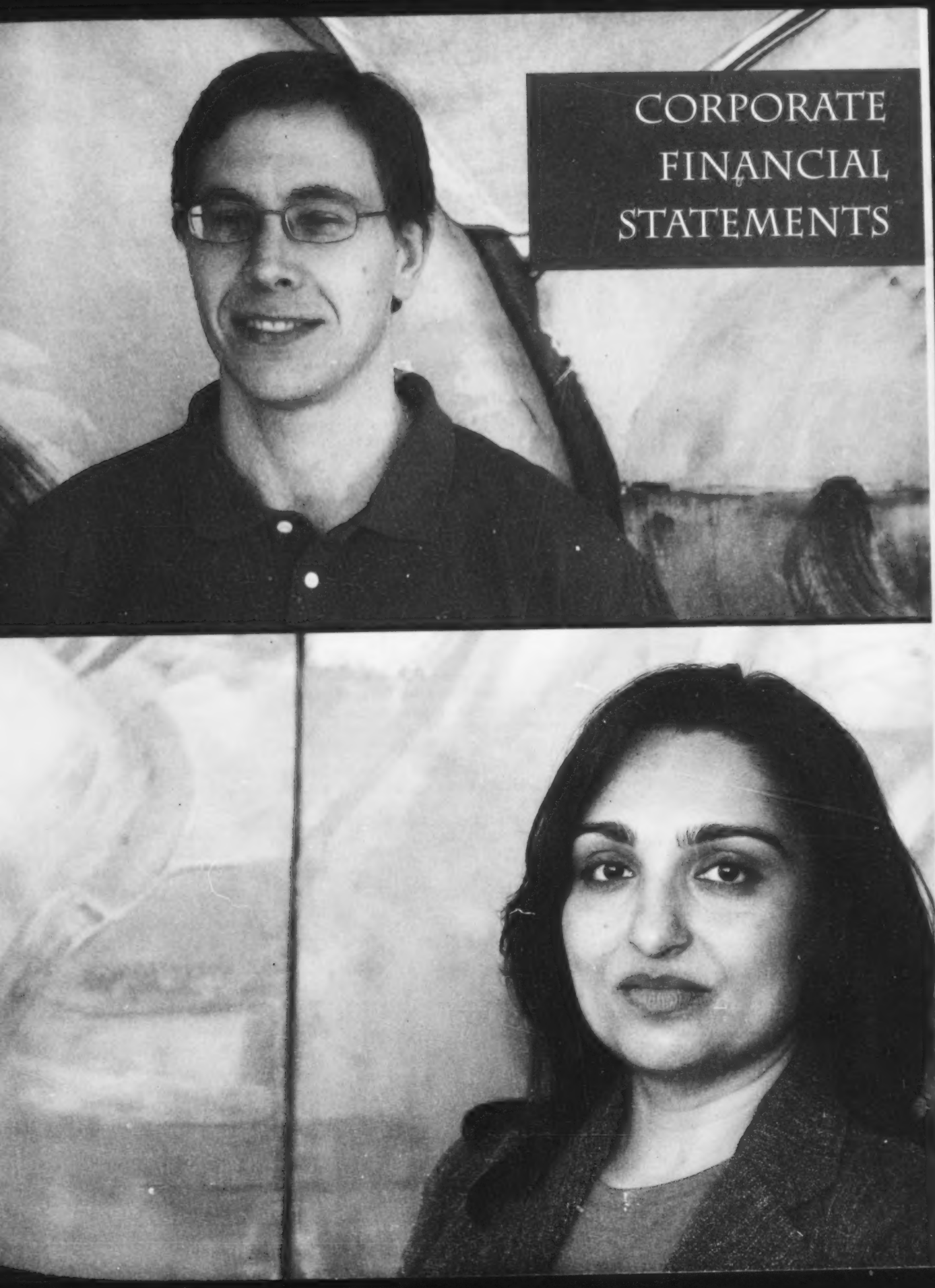
The CEO is appointed by, and is accountable to, the Board for the day-to-day operations of the Pension Corporation. The CEO is responsible for:

- overall management and leadership role in the organization,
- carrying out the strategic plan and policies as approved by the board, and
- carrying out the service delivery plans as approved by each of the Pension Boards of Trustees.

The CEO and all employees are governed by a *Code of Conduct*.

The Pension Corporation's Organization Chart




CORPORATE
FINANCIAL
STATEMENTS

Financial Statements

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
5650 Yatesmit Road
Victoria BC
V8T 5J9

Phone:
250 387-8300
1 800 663-8831
Fax:

BRITISH COLUMBIA PENSION CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

The firm of KPMG LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

S Lenz

SANDRA LENZ, C.A.
Chief Financial Officer
British Columbia Pension Corporation

E Zillinger-Horvath

EMIL CZILLINGER-HORVATH, C.A.
A/Director, Corporate Finance
British Columbia Pension Corporation

May 19, 2006

Financial Statements

KPMG LLP
Chartered Accountants

AUDITORS' REPORT

To the Members of the Board of Directors
of the British Columbia Pension Corporation

We have audited the balance sheet of the British Columbia Pension Corporation as at March 31, 2006 and the statements of revenue and expenses and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 19, 2006

Financial Statements

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2006	2005
Assets		
Current:		
Cash and Short-term Investments (Note 4)	$ 878	$ 581
Due from Pension Plans (Note 5)	5,923	5,250
Due from Province of British Columbia (Note 13)	1,446	-
Accounts Receivable	287	369
Prepaid Expenses	342	638
	8,876	6,838
Computer Systems and Other Assets (Note 6)	14,372	16,333
Total Assets	$ 23,248	$ 23,171
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable	$ 1,782	$ 1,511
Accrued Salaries and Benefits (Note 7)	7,094	5,327
	8,876	6,838
Long term:		
Deferred Capital Funding (Note 8)	14,372	16,333
	23,248	23,171
Shareholder's Equity		
Share Capital (Note 2)		
Total Liabilities and Shareholder's Equity	$ 23,248	$ 23,171

All accompanying notes are an integral part of these financial statements including:

- Commitments (Note 14)

Richard Taylor, Chair
British Columbia Pension Corporation
Board of Directors

Diane Wood, Vice Chair
British Columbia Pension Corporation
Board of Directors

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUE AND EXPENSES
($ Thousands)

For the year ended March 31	2006	2005
Revenue		
Service Revenue (Note 9)	$ 37,988	$ 35,185
Province of British Columbia (Note 13)	1,446	-
Investment and Miscellaneous Income	138	105
Loss on Disposal of Computer Systems and Other Assets	(3)	(8)
Revenue before Recovery of Pension Plan Boards' Secretariat Support	39,569	35,282
Recovery of Pension Plan Boards' Secretariat Support (Note 10)	870	701
Total Revenue	40,439	35,983
Expenses (Note 11)		
Member Services	$ 12,184	$ 11,891
Communications	2,179	1,980
Plan Management	1,368	1,206
Human Resource Management and Development	1,796	1,540
Information Management	8,198	6,126
Corporate Management	1,677	1,085
Financial Services	2,677	2,422
Administrative Support Services	3,264	3,285
Business Planning and Risk Management	1,550	1,292
Corporate Board	87	66
Amortization	4,555	4,389
Operating Expenses	39,535	35,282
Pension Plan Boards' Secretariat Support (Note 10)	904	701
Total Expenses	40,439	35,983
	$ -	$ -

PENSION CORPORATION

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31	2006	2005
Cash Flow from Operating Activities		
Operating Funding Received from the Pension Plans	$ 33,627	$ 32,119
Cash Paid to Suppliers and Employees	(33,468)	(31,841)
Investment and Miscellaneous Income Received	138	105
Total Operating Activities	297	383
Cash Flow from Investing Activities		
Purchase of Computer Systems and Other Assets	(2,599)	(2,441)
Proceeds from Sale of Computer Systems and Other Assets	2	2
Total Investing Activities	(2,597)	(2,439)
Cash Flow from Financing Activities		
Capital Funding Received from the Pension Plans	2,597	2,439
Total Financing Activities	2,597	2,439
Increase for the Year	297	383
Cash and Short-term Investments at Beginning of Year	581	198
Cash and Short-term Investments at End of Year	$ 878	$ 581

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation provides benefit administration services as agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair and vice chair of the board are elected by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees. These administrative services are provided pursuant to service agreements with each plan.

The corporation operates on a cost-recovery basis. The corporation charges each pension plan with its respective share of the corporation's operating expenses, and computer systems and other asset purchases, less investment and miscellaneous income and amortization.

The issued share ($10 par value) of the corporation is held by the Province of British Columbia, and accordingly the corporation is exempt from income taxes. The corporation pays goods and services tax (GST) on applicable purchases and recovers those costs fully, through input tax credits.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

Certain comparative figures have been reclassified to conform to the current year's presentation.

b) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	5 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

Major business application software under development is not amortized until completion and implementation.

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur, the excess of the net book value over any residual value will be recognized as an expense in the statement of revenues and expenses.

c) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recognized as operating expenses are incurred and as assets are amortized. The corporation defers capital funding received in advance for computer systems and other asset purchases. This deferred capital funding is recognized as service revenue on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

d) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

e) Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenues and Expenses at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

4. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are recorded at cost, which approximates fair value.

	($ Thousands)	
	2006	**2005**
Cash	$ 174	$ 262
Short-term Investments	704	319
	$ 878	$ 581

5. DUE FROM PENSION PLANS

Due from pension plans represents total charges to pension plans less operating and capital funding received as follows:

	($ Thousands)	
	2006	**2005**
Beginning Balance, Due from Pension Plans	$ 5,250	$ 5,880
Total Charges to Pension Plans	36,013	33,173
Pension Plan Boards' Secretariat Support:		
Expenses (net of recovery from Province of BC)	870	701
Purchase of Computer Systems and Other Assets (Municipal Pension Plan)	14	54
Operating Funding Received	(33,627)	(32,119)
Capital Funding Received	(2,597)	(2,439)
Ending Balance, Due from Pension Plans	$ 5,923	$ 5,250

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

6. COMPUTER SYSTEMS AND OTHER ASSETS

($ Thousands)

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	
Major Business Application Software	$ 24,576	$ 14,583	$ 9,993	$ 11,968
Other Computer Equipment and Software	14,775	12,050	2,725	2,626
Furniture	3,050	2,170	880	997
Tenant Improvements	1,195	421	774	742
	$ 43,596	$ 29,224	$14,372	$ 16,333

Other computer equipment and software includes a $32,703 capital lease amortized over the three year term of the lease. The balance of the lease obligation, which is included in Accounts Payable, is $2,198 as at March 31, 2006, with payments ending in June 2006.

7. ACCRUED SALARIES AND BENEFITS

($ Thousands)

	2006	2005
Accrued Salaries and Benefits	$ 4,776	$ 4,517
Leave Liability	842	810
One-Time Payments (Note 13)	1,476	-
	$ 7,094	$ 5,327

Leave liability primarily consists of vacation earned but not yet taken.

8. DEFERRED CAPITAL FUNDING

($ Thousands)

	2006	2005
Opening Balance, Deferred Capital Funding	$ 16,333	$ 18,291
Capital Funding Received	2,597	2,439
Capital Funding Recognized as Service Revenue:		
Amortization	(4,555)	(4,389)
Gain (Loss) on Disposal of Computer Systems and Other Assets	(3)	(8)
Ending Balance, Deferred Capital Funding	$ 14,372	$ 16,333

During the next fiscal year, approximately $4.4 million of deferred capital funding will be recognized as service revenue.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

9. SERVICE REVENUE

The corporation's service revenue consists of charges to the pension plans for the corporation's operating expenses, and computer systems and other asset purchases, less capital funding received, plus capital funding recognized as service revenue:

	($ Thousands)	
	2006	**2005**
Total Charges to Pension Plans	$ 36,013	$ 33,173
Capital Funding Received	(2,597)	(2,439)
Pension Plan Boards' Secretariat Purchase of Computer Systems and Other Assets	14	54
Capital Funding Recognized as Service Revenue:		
Amortization	4,555	4,389
Loss on Disposal of Computer Systems and Other Assets	3	8
Service Revenue	$ 37,988	$ 35,185
Total Charges to Pension Plans were:		
Municipal Pension Plan	$ 18,006	$ 16,431
Public Service Pension Plan	8,649	8,132
Teachers' Pension Plan	7,441	6,918
College Pension Plan	1,494	1,319
Other Plans	423	373
Total Charges to Pension Plans	$ 36,013	$ 33,173

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

10. PENSION PLAN BOARDS' SECRETARIAT SUPPORT

Pension plan boards directly approve pension plan board secretariat support budgets, and the corporation recovers these expenses from the pension plans. These expenses are as follows:

	($ Thousands)	
	2006	**2005**
Salaries and Benefits	$ 656	$ 482
Office Expenses	108	118
Building Rent and Maintenance	96	88
Other	44	13
	$ 904	$ 701
Less: Recovery from the Province of BC (Note 13)	(34)	-
	$ 870	$ 701
Pension Plan Boards' Secretariat Support recovered from:		
Municipal Pension Plan	$ 326	$ 272
Public Service Pension Plan	181	143
Teachers' Pension Plan	181	142
College Pension Plan	182	144
	$ 870	$ 701

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

11. EXPENSES

Expenses by service area are presented in the statement of revenue and expenses and are defined as follows:

- Member Services includes direct member pre-retirement benefit services, retired member benefit services, employer data services, and imaging and reception services.
- Communications includes development and production of communications products, and pre-retirement information seminars.
- Plan Management represents plan policy support.
- Human Resource Management and Development includes general human resource management functions and training and development.
- Information Management includes strategic technology project management, ongoing information system support and system testing.
- Corporate Management includes executive salaries, professional services and administrative support.
- Financial Services includes financial operations and reporting for both the corporation and the pension plans.
- Administrative Support Services includes rent and other support services (telephone, office supplies and mail services).
- Business Planning and Risk Management includes risk management and quality assurance, business planning, project management and business continuity.
- Corporate Board includes corporate board member fees, travel and other expenses.

Expenses by type are as follows:

	($ Thousands)	
	2006	**2005**
Salaries and Benefits	$ 22,953	$ 21,973
Amortization	4,555	4,389
Systems Support and Telephones	3,982	2,965
Building Rent and Maintenance	2,076	2,114
Legal, Actuarial and Other Professional Services	1,737	1,321
Office Expenses	991	1,009
Training	573	442
Insurance	384	395
Publications	289	215
Bank Charges	202	181
Travel	184	152
Corporate Board	87	66
Regulatory Fees	80	60
One-Time Payments (Note 13)	1,442	–
Operating Expenses	$ 39,535	$ 35,282

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

12. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2006, the corporation has approximately 400 employees contributing to the plan which has approximately 51,000 active plan members and 30,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2006, employees contributed 5.75% (2005: 5.5%) of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 7.25% (2005: 7%) for salaries above that. The corporation contributed 6.75% of salary up to the YMPE and 8.25% for salaries above that. Employee and corporation contributions include 1.50% (2005: 1.25%) and 2.50% of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements. Effective April 1, 2005, the employee contribution rate increased by 0.25%, to 1.50% of salaries, to fund these contingent benefits. The corporation, as employer, is paying the 0.25% employee contribution rate increase.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2005 indicated a $767 million unfunded liability for basic pension benefits. As a result of this valuation, effective April 1, 2006 employee contributions will increase by 1.88% of salaries, to 7.63% of salaries up to the YMPE and 9.13% of salaries above that. Also effective April 1, 2006, employer contributions made by the corporation will increase by 1.88% of salaries, to 8.63% of salaries up to the YMPE and 10.13% of salaries above that. The next valuation will be as at March 31, 2008 with results available in 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The corporation paid $1.4 million for employer contributions to the plan in 2006. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

13. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans are related parties to the corporation. The pension plan boards appoint members to the corporate board, and the corporation provides services to the pension plans. Please see Notes 2, 9, 10 and 11. These transactions are in the normal course of operations and consist of the recovery of the corporation's operating expenses, and computer systems and other asset purchases.

As a Crown corporation, the corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations. Included in accounts payable and accrued salaries and benefits is $5.0 million (2005: $4.9 million) due to the Province of British Columbia.

The corporation does not normally receive funding from the Province of British Columbia. However, during 2006 the Province agreed to provide funding for one time payments to employees related to collective agreement and management wage settlements. The related revenue and amount due from the Province is $1.446 million.

14. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Building Corporation (BCBC) to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. Effective April 1, 2006, BCBC became Accommodation and Real Estate Services, a division of the Ministry of Labour and Citizens' Services, Province of British Columbia. The estimated cost of building rental and accommodation services for the years ending March 31, 2007-2010 is $2.3 million per year.

15. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short period to maturity for these items.